BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2017-370-E

IN RE: Joint Application and Petition of South Carolina Electric & Gas Company and Dominion Energy, Incorporated for Review and Approval of a Proposed Business Combination between SCANA Corporation and Dominion Energy, Incorporated, as May Be Required, and for a Prudency Determination Regarding the Abandonment of the V.C. Summer Units 2 & 3 Project and Associated Customer Benefits and Cost Recovery Plans	)	**PRE-HEARING BRIEF OF THE SOUTH CAROLINA SOLAR BUSINESS ALLIANCE**

Intervenor South Carolina Solar Business Alliance ("SCSBA") respectfully submits this Pre-Hearing Brief for consideration by the Commission in Docket No. 2017-370-E. The Commission established this Docket to rule on the requests by South Carolina Electric & Gas Company, ("SCE&G") and Dominion Energy, Inc.'s ("Dominion") (collectively "Petitioners") for a merger, for the establishment of a "customer benefit and cost recovery plan," for costs associated with V.C. Summer Units 2 & 3, and for issuance of necessary Base Load Review Act prudence determinations.

In this Docket, Petitioners seek Commission approval of a proposed business combination between Dominion Energy and SCE&G's parent corporation or, alternatively, a finding that the proposed combination is in the public interest or that there is an absence of harm to South Carolina ratepayers as a result of the merger. SCSBA sought and obtained intervention because Petitioners' requests have the potential to directly and materially impact the future of renewable energy in this State and the ability of independent solar energy providers to furnish safe, clean, and affordable renewable energy to this state's individual and commercial citizens. It is SCSBA's position that the proposed merger would not be in the public interest and would harm South Carolina ratepayers, unless the Commission imposes conditions on the merger to protect ratepayers from some of the potential adverse effects of monopoly control of electric generation, such as the V.C. Summer debacle. Specifically, the Commission should not allow

the combined company to construct self-owned generation resources in the future without being required to go through a rigorous, transparent, and inclusive planning process subject to Commission approval, as well as a fair and independently-administered competitive procurement process that includes the purchase of energy and capacity from independent power producers.

Intervenor SCSBA is organized for the purpose of promoting and advocating public policy positions supportive of solar power generation in South Carolina. SCSBA's membership includes developers of utility-scale solar photovoltaic ("PV") generating facilities. As Independent Power Producers ("IPPs"), SCSBA's member projects can and do deliver clean energy and capacity to the grid at a cost equal to or less than the cost that would be paid by the incumbent utility to generate or otherwise procure those resources. Moreover, the developers and owners of these projects bear, and insulate ratepayers from, all risk of construction cost overruns, unexpected operating expenses, and fuel cost increases and volatility.

An inescapable lesson from the history of V.C. Summer is that when an investor-owned utility decides to satisfy its need for new capacity solely by building its own generation, the company's shareholders get the financial benefits of that decision and its ratepayers bear the risks. When that new generating unit is large and capital-intensive, there are many such risks — project delays, technology risk, cost overruns, and the risk that the project will never be completed or that it will not be cost-effective when built. When the utility instead buys its energy and capacity from IPPs, it is those companies, not the ratepayers, that bear the risk.

Federal law requires that when a utility purchases energy or capacity from a qualifying facility ("QF"), such as the solar PV facilities developed by SCSBA's members, it must do so at avoided cost. 16. U.S.C. § 824a-3 *et seq*. Specifically, the utility must make such purchases at rates equal to or less than the cost avoided by the utility by purchasing from the QF rather than self-generating or procuring from another source. *Id.* This requirement guarantees that ratepayers will be held harmless if the utility buys from QFs rather than self-generating, and ensures that any QF that obtains a contract to sell to a utility must be cost-competitive.

Even though IPPs can deliver cost-competitive power at lower risk to ratepayers, the fact that an IOU only earns returns on capital it invests, and is obligated to deliver returns to its own shareholders, means that it is incentivized to build and own its own generation, rather than purchase power from IPPs. The V.C. Summer debacle shows that IOUs cannot be allowed in this manner to expose ratepayers to potentially higher costs, and far greater risk, than they would face

if energy and capacity were procured from IPPs, whether through PURPA purchases or by competitive solicitations. Utility resource planning processes are supposed to result in procurement of the lowest-cost resources to satisfy ratepayer needs, but the bias toward expanding the rate base often clouds utilities' judgment in this respect and prevents fair consideration of better alternatives.

The evidence and testimony in this Docket, and the evidence to be elicited at the hearing, conclusively demonstrate that this set of unfortunate incentives was a major factor in enabling the ill-fated V.C. Summer project. They further demonstrate that, if the Commission were to approve the merger as proposed, the resulting company would retain this systematic bias towards building and owning its own generation, rather than giving fair consideration to alternative sources of energy and capacity.

SCSBA submits that the public interest will not be served by the proposed merger unless there are reasonable merger conditions that would counterbalance these biases and would facilitate to more robust planning processes and better procurement decisions.

Consistent with the Chairman's and the Hearing Officer's instructions, and in coordination with other parties as appropriate, SCSBA intends to elicit brief, non-duplicative cross-examination testimony on the following issues and other related items:

- The factors and decision-making process that led to the V.C. Summer project, and what a better decision-making process might look like;
- The costs and risks involved in developing a capital-intensive project like V.C. Summer, and what the better alternatives are;
- Petitioners' contemplated integrated resource planning processes and procurement processes, and whether those processes are consistent with the public interest and a fair and reasonable allocation of risks;
- Petitioners' willingness to commit to not constructing new generation resources except as required by federal law, or through independently-administered competitive solicitations driven by Commission-approved integrated resource plans;
- Petitioners' plans, expectations, and processes regarding obtaining energy and capacity from IPPs, including solar power producers, in compliance with federal and state law;

- Petitioners' plans for meeting capacity needs in the absence of the V.C. Summer unit; and
- Petitioners' expectations with regard to rate recovery and return on equity.

SCSBA looks forward to presenting these issues for the Commission's consideration and to assisting the Commission in its determination of the important public interest concerns raised in this Docket.

Respectfully Submitted,
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